3/21/88 C0175-1

American Banker

The Daily Financial Services Ne

155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLIII NO. 55 Monday, March 21, 1988

Today

The hunt for investors to buy into troubled First RepublicBank Corp. is under way. The FDIC is looking for private investors who will take the company as is, while the Fed is looking for foreign investors. 2

The precarious position of First Republic may convince regulators that merging troubled institutions into healthy ones is not a wise strategy. The case may be a warning to Texas thrift executives and regulators who have been championing a series of megamergers between strong and weak savings and loans. 2

The psychological blow of First Republic's collapse is greater than its financial impact, some say. But the troubles at Texas financial institutions have reemphasized the continued weakness of the state's economy. 2

The complexity of trust accounting is leading many trust departments to license systems from outsiders or use service bureaus. A trio of vendors dominate the market for software and services — SEI Corp., Wayne, Pa.; National Computer Systems Inc., Minneapolis; and SunGard Trust Systems, Charlotte, N.C. 3

IBJ Schroder Bank & Trust Co. is selling its venerable stock-transfer business to the Bank of New York. No official price was given, but industry sources said the business is being sold for well below $5 million, reflecting the high cost of operations, the low profits, and the inability to guarantee that customers will remain with the new transfer agent. 5

Smith Breeden Associates dropped Franklin Savings Association as a client, despite the key role the consultant played in the thrift's spectacular rise. The consulting firm asserted that the Ottawa, Kan.-based thrift was gearing up to offer competing services through its subsidiaries. 8

A hundred western thrifts are unduly exposed to interest rate risk, according to federal thrift regulators. They have been advised to use the current stable interest rate environment to reduce their use of short-term funds to invest in long-term assets. 24

Executive Changes 8
Index of the Week's Stories 11
The Markets 18

COMMENT

Laws designed to protect companies from outside raiders more often allow mediocre or poor managements to maintain control and diminish the already meager power of stockholders, writes Dr. Paul S. Nadler. 4

NEWS MONDAY

A number of community reinvestment measures are being discussed in Washington this week as congressional hearings focus on regulators' responsibilities. 17

Worth Repeating

It's certainly a negative for the image of banking in Texas.

Ben F. Love, chairman of Texas Commerce Bancshares, Houston, commenting on the impact of the state's troubled financial institutions. [Page 2]

Chase Leads in Clearing House Business

94 Banks Generate at Least 1 Million Transactions in 1987

By JEFFREY KUTLER

NEW YORK — Competition is hotter than ever in the automated clearing house business, but it has not prevented Chase Manhattan Bank from maintaining its perennial lead in market share.

According to the *American Banker*'s third annual survey of automated clearing house activity, Chase was responsible for 68.2 million transactions last year. That equaled 13% of the 529 million items originated by financial institutions in the private sector.

Chase's closest rivals, Norwest Bank Minneapolis and Bank of America, each had private sector market shares of 3.3%.

Private sector volume accounted for 56.5% of the year's 936 million automated clearing house payments. The remaining 34.5% were federal government payments such as direct deposits of Social Security benefits into recipients' bank accounts.

Chase increased its originations by 23%, which did not keep pace with the overall market's expansion. The New York bank thus lost a point from its 1986 market share of 14%, indicating that more banks are becoming successful at selling direct deposit and payment services to their commercial and retail customers.

ACH Leaders

Transactions originated in 1987

	(Millions)
1. Chase Manhattan Bank	68.2
2. Norwest Bank Minneapolis	17.5
3. Bank of America	17.3
4. Mellon Bank	12.7
5. Northern Trust Co.	11.9

Source: American Banker

Payment System Gains Ground, Tables Pages 22-23

The number of banks that originated at least one million automated clearing house payments rose to 94 in 1987 from 81 in 1986. A minimum of 928,000 transactions were needed in 1987 to qualify for the *American Banker* listing of the top 100 originating banks, up 24% from 746,000 in 1986.

These figures, supplied in most cases by regional automated clearing houses, reflect interbank transactions only. By not including "on us" payments, such as direct payroll deposits into consumer accounts held by a paying company's bank, these statistics tend to understate actual payment volume.

Despite the wider and more crowded market, Chase's transaction total exceeded those of Norwest Bank Minneapolis and Bank of America by a factor of four, the same margin Chase enjoyed over Bank of America in 1986.

But there was an air of disappointment at the nation's third largest bank. "If anything, we would have liked to

Clearing House: Page 19 ➡

Banks Take Big Share of Private Financing Market

By DAVID NEUSTADT

NEW YORK — Commercial banks grabbed 26% of the $135 billion private placement market in 1987, a significant improvement over previous years, according to data provided by IDD Information Services. Banks had an 18.6% market share in 1986 and a 9.5% share in 1985.

Commercial banks are aggressively pursuing private placement business as part of their push into investment banking.

Investment banks still dominate the fast-growing private placement business, which is the sale of securities not registered with the Securities and Ex-

Commercial Banks: Page 10 ➡

Top Bank Firms in Private Placements

	Overall Rank	1987 Amount ($Mil.)	1987 No. Issue
Salomon Brothers	1	$14,945	244
1. Bankers Trust New York Corp.	7	9,028	210
2. J.P. Morgan & Co.	10	6,834	83
3. Citicorp	11	5,954	147
4. Chemical New York Corp.	14	3,408	132
5. First Chicago Corp.	15	3,287	81
6. Chase Manhattan Corp.	17	2,437	82
7. Security Pacific Corp.	18	1,809	17
8. BankAmerica Corp.	19	1,368	85
9. Manufacturers Hanover Corp.	22	869	41
10. Bank of Boston Corp.	29	203	7

Source: IDD Information Services

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BANKING TRENDS

Outlawing Raiders Is a Slap to Stockholders

By DR. PAUL S. NADLER

ONE DISTURBING TREND in the United States today is the rapid-fire ratification of state laws protecting management from corporate takeovers by outside raiders.

Basically, what these laws all say is that the corporation must be protected from someone coming in and buying out ownership, unless present management and a large number of shareholders agree that they like the idea.

What these laws are telling us in effect is that a corporation exists by itself and is the property of present management. We talk about corporate democracy and the right of people who have enough money to buy out a public venture. But in the states that have passed antitakeover laws, the purchase of a company's majority stock does not give the buyer the right to run the company, in most instances, unless present management wants it.

We are saying, then, that present management has the rights of a feudal lord. There is no way that it can be deposed — no matter how poorly the company is being run or how much better off the shareholders would be with new ownership and new blood — if present management does not want to relinquish its power.

Dr. Nadler is a professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker*.

American Banker
The Daily Financial Services Newspaper
Established 1836
One State Street Plaza, New York, N.Y. 10004
(212) 943-6700

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Advertising:
New York: (212) 943-4259
Chicago: (312) 663-6390
San Francisco: (415) 421-7950
Los Angeles: (213) 382-6346
Charlotte: (704) 522-7181
Classified: (800) 221-1910
International: (212) 943-4250
Telex: 421768 ABKR
Subscription Rates: U.S. $525.00, Canada $775.00.
Canada Air Mail and Foreign $1090.00. Single copy $3.45
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Published daily except Saturday, Sunday and holidays.
Second Class Postage Paid at New York, N.Y. and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, 1 State Street Plaza, New York, N.Y. 10004

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Pretty Harsh? Not Really

At first, this view may appear pretty harsh. How could this possibly be even close to the truth in a democracy where the antitakeover laws have to be approved by elected officials? One would think that they would not like such legislation. But the exact opposite is the case.

Lawmakers go along with these bills almost to a person. And the amount of money raised to lobby for this type of legislation is tremendous. There are several reasons for this:

First, the stock buyers who attempt unfriendly takeovers are pictured as corporate raiders who are eager to move in, gut the corporation, fire its people, and sell the assets for far more than they paid for the company as a whole.

Look at the image of the corporate investors who buy the airline in the movie "Wall Street." The fact that they expect to make decent money by splitting the airline into its components and make it more efficient is scorned. The key is that the so-called good guys want to keep things as they are, with job levels as they are and management as it is.

Power Sways to Antitakeover Side

There's something even more important than the bad image we give to buyers of a company in a unfriendly takeover: The power structure in many states is heavily on the side of antitakeover measures as their lawmakers debate this type of legislation.

The governor of one state that recently passed an antitakeover law privately put it this way:

"Look at this bill. Sure it is hard on corporate democracy. But it is one of the rare times when both management and labor are on the same side. For both feel that if new management comes in they will lose jobs and power.

"Management fears being thrown out, and labor fears the dismantling of the company. On top of this, if we veto such legislation, management will simply move the headquarters of the corporation to another state with a friendlier legislative environment."

Now that Indiana's law on takeovers has been declared constitutional by the Supreme Court, it appears that nothing will stop the further development of state antitakeover laws. With the popularity of such legislation in each state, and each state's jealousy of its powers, it is highly unlikely that the Congress will pass a federal law that is less favorable to management.

Accountable to No One

The result is that in most instances where antitakeover laws have been passed, management is accountable to no one.

As one head of a major pension fund told me:

"If I have no rights and no assurance that I can help make this company better by changing its management, then why should I buy stock? If I want a junk investment, the least I will do is buy a junk bond, so that I am paid for the risk I am taking with my investment."

Will American institutional investors try to solve the problem by going overseas? Probably not, because the laws there are similar to ours or worse. And American insurance companies and pension funds are loyal citizens even if they are angry.

"When the Japanese call and ask if we want to invest in Japan," says the head of one major multibillion-dollar fund, "we answer that we will do so as soon as Japanese farmers riot in favor of having California fruits and vegetables brought into their country."

American investors still may turn away from equities as they see their powerlessness and the ability of medio-

Nadler Says:

We are saying, then, that present management has the rights of a feudal lord. There is no way that it can be deposed — no matter how poorly the company is being run.

cre management to keep control, no matter how low the stock price drops as a result of their managerial policies. If this happens, we are likely to see a dangerous long-term trend that will make us pay — and pay dearly — for the robbing of shareholders of their rights to buy a company and replace management with a better staff.

Corporations have been run by a triumvirate — government, management, and the shareholders. Of these three, the shareholders have been the test of the market mechanism — the people who decided if management was doing a good job.

'The Public Be Damned'

Little by little, this shareholder group is losing whatever power it did have, and it never was too much. So corporations will either become like those of the 1890s, in which the chief executive officer could say "the public be damned," and there was little anyone could do about it. Or else they will face more and more governmental intervention.

This will involve the government making more decisions on environmental activities, operating policies, and the like because government will be the only force left to control our feudal lords — the people who happened to be in charge of corporations when the antitakeover laws came into being and the opportunities to remove present management were sharply reduced.

The real question is, what is ownership? We have come a long way from the days when 64 men would invest in a sailing cargo ship and share the profits equally if it returned safely from the New World. Now we may reach the opposite point where the investor-owner has no rights. That would be like the captain of that ship saying on his return, "I will decide whether you get anything."

Some middle ground is necessary and undoubtedly in time it will have to be found. But in the meantime, let us hope that we do not do too much damage to the free enterprise system by protecting present management and present jobs, no matter how poorly the ship is run, while those who are willing to invest to make the ship more efficient are called raiders, cutthroats, and spoilers of our economic system. ■

MEMORY BANK

The following quiz is based on material that appeared in last week's issues of the American Banker. Answers are on page 8.

1. Consultants say it will be years before smart cards — plastic cards embedded with microcircuit chips — are ready for mass-marketing by the U.S. credit card industry. Despite the generally dim outlook, smart cards supplied by Micro Card Technologies Inc., Dallas, have established a significant beachhead with the U.S. Department of Agriculture in automating sales of a major farm commodity. For what crop — delectable to hogs and humans alike — is the smart card used to maintain sales records and establish production quotas?

2. One of the latest wrinkles in the colorful idiom of financial services is

a term borrowed from the French. The word ..... describes the smaller, independent investment banking firms organized in recent weeks by former Wall Street superstars, which concentrate on advisory work for mergers and acquisitions.

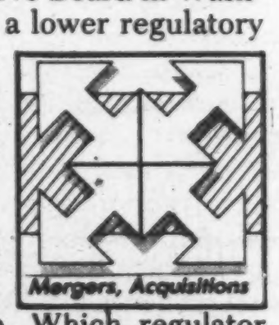
3. What recent marketing decision by American Express Co., concerning its Optima card, puts the company in an awkward competitive position with its bank partners?

4. Consumer advocacy groups — particularly Acorn, the Association of Community Organizations for Reform Now — have formulated a new lobbying strategy aimed at protecting traditional banking services for low-income and moderate-income customers. What fundamental banking issue, currently before Congress, will these groups seek to link with guarantees of free or low-cost checking for less-affluent individuals?

5. Departing from its tradition of disposing of loans from failed thrifts through sealed bids and negotiated transactions, what method will the Federal Savings and Loan Insurance Corp. use next month, for the first time, to sell $40 million in assets from defunct institutions in Tennessee and Ohio?

6. William J. Burke, senior vice president of the Bank of Ireland's New York office, spent a few hours last week basking in the limelight of international attention. What high honor did Mr. Burke receive?

7. Recent revelations suggest that the Federal Reserve Board in Washington overruled a lower regulatory agency when it approved the 1986 merger that created First RepublicBank Corp., Dallas, from InterFirst Corp. and RepublicBank Corp. Which regulator apparently foresaw that this merger would run into trouble?



8. As the New Jersey building boom continues, how have several large real estate developers sought to cash in on the financing end of the business?

9. On the same day the Federal Deposit Insurance Corp. was rescuing First RepublicBank, a welcome note of levity came in a speech by FDIC Chairman L. William Seidman that was transmitted to a bankers' convention in Honolulu. In Mr. Seidman's humorous predictions for the year 2000, what celebrity did he foresee entering a second term in the White House?

— Robert Paul Molay

Vendors Vie for Market Share at Fiduciary Operations Conference

Continued from Page 3

the pending Electronic Data Systems Corp. acquisition of MTech will enhance the deal. "Between them, EDS and MTech have over 5,000 banks, thrifts, and credit unions as customers," he said in an interview. "We want to leverage that customer base into asset management, trust accounting, and securities custody."

The market for trust accounting software and services is dominated by a trio of specialized vendors — SEI Corp., National Computer Systems Inc., and SunGard Trust Systems.

The SEI Conversion

SEI was entirely on Prime equipment originally. Realizing the capacity limitations of minicomputers, it began in 1984 to convert its host computers and its clients' systems to IBM in an expensive overhaul.

About 50 clients continue to run remotely on the Prime computers at the SEI data center. But D. Bruce Peterson, executive vice president for information services, said in a phone interview that they will be converted within three months.

"Then we will be completely finished with the retooling," he said. "We spent about $40 million moving the software, enhancing the software, and getting all the processing restructured for IBM."

The changeover affected SEI earnings and client relationships. "The conversion did not go absolutely smoothly," said Ms. Frey of National Computer. "As a result, we picked up a number of SEI customers."

Trust-Aid, SEI's original trust accounting product, was introduced in 1972. The dwindling number of clients with Prime minis still use it.

The IBM system, Trust-Aid 3000, was introduced in 1983. The biggest trust departments using it are at Wells Fargo Bank, San Francisco; First RepublicBank, Dallas; Marine Midland Bank, Buffalo; First Interstate Bank of California, Los Angeles; and Manufacturers National Bank, Detroit.

In 1982, the company also introduced Trustpac/PC, software for community banks. It runs on IBM PCs. About 55 banks license it.

At its Wayne center, SEI has an IBM 3090 Model 400 and two IBM 3084s, one of them added this year. "We saw a rather dramatic growth in our client demand in December as a fallout of the October market," Mr. Peterson said. "There was about a 25% increase in transaction load."

A total 3,856 banks and thrifts exercised trust powers at the end of 1986, the latest tally available. Mr. Peterson said SEI's market is about 1,600 and it has about a third of that target.

"We see our competitors collectively have a third or maybe 40%," he said. "The remainder are on what I'll call obsolete environments or in-house systems."

Kenneth R. Adams, president of SunGard Trust Systems, says the main difference between his operation and SEI is that a SunGard bank is not on line to SunGard all day long. "It has enough information in the bank to operate on a daily basis," he said in a phone interview. "That makes our system considerably cheaper than theirs."

Rather than being on line in real time, the client has a PC or a network of PCs with a file server, which is the working data base of account information, transaction history, and asset holdings.

"Those are mini files of our main data base in Charlotte," Mr. Adams said.

"Each day they enter transactions on their microcomputer and they are stored in the micro. Each evening our large computer in Charlotte dials each of these micros and retrieves the transactions for the day, whether buys, sells, name or address changes, or beneficiary changes," he said. "It processes them against the master file here, and sends back updated transactions to the mini data base in the bank and generates summary reports in their offices overnight.

"So during the day they are not connected by phone. They have an in-house computer system that can answer their needs and inquiries and enter posting transactions. All their assets are priced weekly. We do all that service work for them," Mr. Adams said.

The clients can use IBM PC ATs or the new IBM PC/2. Mr. Adams said SunGard has installed about 100 of the latter. It runs IBM software at its Charlotte data center but the mainframe, although SunGard is an IBM dealer, is a National Semiconductor 8043, an IBM look-alike.

In trust accounting, SEI and National Computer Systems illustrate starkly the competition between service bureaus and in-house software vendors.

More than 500 banks run National Computer's Trustware systems in-house. Most use Digital Equipment Corp. VAX minicomputers. Some use Texas Instruments 990 minicomputers. To meet the needs of small banks, the company also has a system to run on the IBM PC AT.

Dennis M. Stanzione, National Computer's director of special projects, said 40 to 50 SEI customers have switched to his company's system in recent years, partly because their trust departments have grown.

"Once you reach a certain size, service bureau becomes a costly operation," he said in a phone interview.

"In our environment, once you install a system, it doesn't matter how many accounts you run on it. Some of our banks run 20,000 accounts. In a service bureau, it would be impractical to deal with those volumes." ■

Commercial Banks Take Larger Share Of Growing Private Placement Market

Continued from Page 1

change Commission to a limited number of investors. The Federal Reserve Board allowed commercial banks to enter the market in 1977, but for many years, bank efforts were sporadic and produced uneven results.

However, over the last three years, a number of banks have created special private placement units and hired experienced personnel from Wall Street and from insurance companies, the major investors in private transactions.

"We see them having an increasing market share," said Jack Cartland, a vice president of private finance at Aetna Life and Casualty Co. "Of the 20 largest sources of private deals, three to four years ago they may have been 85% investment banks. Now they are 55% to 60% commercial banks."

"Commercial banks scare me a lot more than the other investment banking houses," said a private placement professional at a leading Wall Street firm.

Private placement activity is especially attractive to banks because it does not involve use of their own capital. Since the only investment for banks is salaries, profits can be quite high.

Fees can range from one-eight of a percent on a large, simple deal, such as a certificate of deposit, to as much as one percent on a smaller, more complex transaction.

Bankers Trust at No. 7

Bankers Trust New York Corp. did best among the commercial banks in 1987, attaining the No. 7 slot on IDD's league table. That is the highest position a commercial bank has attained so far on that list. In 1986, Citicorp held the No. 7 spot, but it fell back to 11 in 1987. J.P. Morgan & Co. achieved the second best performance among commercial banks, placing No. 10 on the overall list.

Other banks among the top 30 private placement agents were Chemical New York Corp. at No. 14; First Chicago Corp., 15; Chase Manhattan Corp., 17; Security Pacific Corp., 18; BankAmerica Corp., 19; Manufacturers Hanover Corp., 22; and Bank of Boston Corp., 29.

The private placement market has become increasingly complex over the last few years. It now includes many new types of securities, such as mortgage-backed bonds. That has resulted in disputes, especially between commercial banks and investment banks, over what should or should not be counted as a private placement. In response to that, IDD has developed separate listings for different sectors of the market.

Commercial banks are strongest in the asset-backed category, which includes securities backed by both mortgages and securities. Commercial banks as a group had slightly over a third of that market sector. Bankers Trust ranked No. 3 on the list, followed by Citicorp, No. 4, and Chase Manhattan, No. 9.

Commercial banks are also strong in the private certificate of deposit market, with about a 30% share. Bankers Trust was 3d, Citicorp 4th, and Chemical Bank 5th on that list.

On the plain-vanilla list, which includes old-fashioned private placements, Bankers Trust is 9th, First Chicago 11th, and Citicorp 12th.

For lease-related transactions, Bankers Trust was 5th, Citicorp 10th, and BankAmerica 12th.

Commercial banks were weakest in acquisition-related deals. J.P. Morgan is 5th on that list, Bankers Trust 9th, and Chemical Bank 11th. ■

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Chase Leads the Pack in Automated Clearing House Business

Continued from Page 1

have grown faster last year," said James J. Hopes, vice president of Chase Manhattan and president of Chase ACH Inc., its clearing house subsidiary.

Chase clearly has no intention of letting up on the competition, and not just in the part of the market where it is strongest — processing direct premium payments for large insurance companies. Chase is also making a strong bid for the emerging point-of-sale debit business. Its clients include Exxon Co. U.S.A. and Mobil Oil Corp., which began accepting automated clearing house debits from consumers last year.

Nor is Chase neglecting opportunities in direct deposits, which are known as automated clearing house credits. The bank's volume of credits grew 31% last year, compared with only 22% for debits.

Chase is coming close to challenging Bank of America as the top originator of private sector credits. But in debits alone, as well as in total transactions (debits and credits added together), Chase remains pretty much alone at the top.

Norwest, the flagship bank of Norwest Corp., rose two places in 1987 to edge out Bank of America for runner-up. Norwest's lead was a mere 257,000 items, 1.5% of the bank's total, but it caused the most obvious of several noticeable changes on the top 100 list.

Six Banks Doubled Volume

The First National Bank of Atlanta increased its total volume 110% on the year, enough to raise it to 10th on the list from 26th a year earlier. It was one of six banks that doubled its annual volume. Five others, including Norwest, showed increases of between 80% and 100%.

Chemical Bank, New York, climbed eight places to No. 12, with a 47% volume increase. Connecticut National Bank, Hartford, rode a 37% increase into 13th place, up from 18th. Security Pacific National Bank, Los Angeles, added 60% to its volume, sufficient for a 15th-place finish after being 24th in 1986.

There were losers, too. Volume slipped at 9 of the top 100 banks, though in most cases by relatively small amounts and for explainable reasons. Some of these banks lost accounts to competitors. Others consolidated operations in another part of a holding company.

Wells Fargo Bank, Morgan Guaranty Trust Co., Manufacturers Hanover Trust Co., Connecticut Bank and Trust Co., and Norwest Bank Nebraska all fell out of the top 20 because they failed to keep up with the market's growth.

But the success stories are numerous enough to lend credence to claims by the National Automated Clearing House Association that stepped-up promotional campaigns will lead to rapid transaction growth after years of disappointments.

In rising from fourth place to second, jumping over Bank of America and Mellon Bank in the process, Norwest had an 82% spurt in transaction volume. Norwest's debit entries — payments initiated by a seller to move money out of a buyer's account — doubled to 14 million. Only Chase generated more debit volume — four times more.

Among Norwest's debit customers is

Clearing House: Page 22

Top ACH Banks, by Payment Type

Top Debit Originators*	1987 Volume (millions)
Chase Manhattan Bank	58.4
Norwest Bank Minneapolis	14.0
Marine Bank of Springfield, Ill.	9.9
Bank of America	5.9
Bank One Columbus	5.5
Mellon Bank	5.4
Wachovia Bank and Trust Co.	4.9
AmSouth Bank	4.3
Trust Company Bank	4.2
United Bank of Denver	3.8

Top Credit Originators*	1987 Volume (millions)
Bank of America	11.3
Chase Manhattan Bank	9.7
Northern Trust Co.	8.9
Mellon Bank	7.3
First National Bank of Boston	6.4
First National Bank of Atlanta	4.9
Norwest Bank Minneapolis	3.5
Citibank	3.30
Chemical Bank	3.28
Connecticut National Bank	3.1

*Among banks in survey supplying debit and credit data.

Consultancy Drops Franklin Savings

Continued from Page 8

out the approaches.

Last week, in a joint statement with Smith Breeden, Mr. Fleischer said: "Franklin has benefited substantially from our relationship with Smith Breeden. I will continue to encourage clients of our investment banking affiliates needing the types of services rendered by Smith Breeden to employ that firm."

A Staff of Its Own

Franklin, meanwhile, has developed a formidable investment research staff of its own over the past several months. Several thrift industry executives and analysts theorize that Franklin will likely be able to carry out its strategies without Smith Breeden.

Headed by John Scowcroft, former research chief of Merrill Lynch Mortgage Capital, the research team already has 15 members, including alumni of Goldman Sachs & Co. and First Boston Corp. and a systems expert from IBM. This team, based near Smith Breeden's office in Overland Park, is expected to grow to 40 people by year-end, and additional research is performed at Franklin's Ottawa headquarters.

"Over the years, Franklin has built a staff that can internally handle the same services Smith Breeden was providing," said Michael Zuk, an analyst with George K. Baum & Co., Kansas City.

All the same, Mr. Fleischer said Franklin would actively seek another outside adviser to perform "oversight research responsibility." ■

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Payment System Gains Ground, but Progress Is Slow

By JEFFREY KUTLER

NEW YORK — Later this year, probably in October, the automated clearing house network will achieve a first: It will handle its billionth transaction in a single year.

The paperless payments will still be outnumbered almost 50 to 1 by the checks they were designed to replace. Therefore, passing the billion mark only begins to suggest the system's unrealized potential.

But after a decade and a half of struggle, bankers active in the automated clearing house movement can cheer that they are having some impact on the nation's modes of payment.

Only six years ago, when checks written in the United States were approaching 40 billion annually, the automated clearing house network was plodding along at only 315 million items per year. Almost two-thirds of them were federal payments — direct deposits of government salaries, Social Security, and other retirement benefits. Without the government transactions and Federal Reserve System subsidies, the automated clearing houses would have quickly faded into oblivion.

Last year, the network reached 936 million transactions, according to the National Automated Clearing House Association. At the current growth rate, the 1988 total will exceed 1.2 billion.

By most estimates, checks are growing 5% to 7% a year and will probably close in on 50 billion this year.

But the automated clearing house system — consisting of 29 regional clearing houses, most operated by the Federal Reserve, and 13 other bank-owned corporations or cooperatives — has grown at or close to 25% annually throughout the 1980s.

ACH Volume

In 1987 (millions of transactions)

	% of Total	Volume	% Incr. '86-'87
Private sector	56.5	528.6	40.7
Government	43.5	407.4	34.5
Total	**100.0**	**936.0**	**37.9**

Source: National Automated Clearing House Association

System Holds Its Own

National Automated Clearing House Association figures showed a 38% growth rate for 1987. Comparing the 1987 total with a different 1986 statistic compiled by the *American Banker* lowers that increase to 26%, closer to those of previous years. Either way, the system is holding its own, gradually answering past criticisms about lackluster performance if not entirely silencing its critics.

"Any way you look at the figures, it is disappointing that ACH volume after all these years is only approaching one billion, while checks keep mounting up," said George C. White, president of White Papers Inc., Montclair, N.J., and one of the more persistent critics. White Papers is a payments systems consulting firm.

By the national association's reckoning, as transactions last year rose 38%, government payments increased 35%, private sector activity grew 41%, and dollar volume jumped 57%. The average commercial transaction amount was $6,390, the average government payment $628, and the average for all transactions $3,882.

"Dramatic growth occurred because of a general, across-the-board acceptance and belief in the benefits provided by ACH services," said William R. Moroney, president of the Washington-based association, which is holding its annual conference this week in Dallas.

"All types of ACH payments are growing, and we can expect to see this growth continue as we move into the 1990s," Mr. Moroney said.

Changing Transaction Mix

If the payment system really has turned the corner, then the supporting evidence is found in a reversal of the historical government-commercial transaction mix.

Banks and other depository institutions generated 56.5% of the 1987 automated clearing house volume. That was up from 54% in 1986, the first year in the history of the system in which private sector payments outnumbered government items. Commercial (nongovernment) volume includes direct payroll deposits, insurance premiums, preauthorized loan payments, cash managers' consolidations of funds in regional bank accounts, and point-of-sale payments by consumers.

The last category, a new one for the automated clearing houses, accounted for 7.5 million transactions last year — less than 1% of the total, but the start of what could become something big. The National Automated Clearing House Association is promoting the network as an alternative to the on-line electronic networks that bankers built for automated teller machines and are now diversifying into point-of-sale payments.

Accessibility Outweighs Delays

Many bankers prefer the immediate transfers of funds that on-line systems afford, as compared with the one- or two-day settlement delay in automated clearing house payments. But to automated clearing house boosters, the system's easy accessibility and lower transaction costs outweigh the time disadvantage. And consumers, accustomed to a few days of float when they pay with checks or credit cards, may actually like it better.

Most of the 7.5 million point-of-sale transactions through the automated clearing houses last year were in Arizona. There the statewide check-clearing house, which also runs the automated clearing house, has been operating a successful off-line point-of-sale system for several years called the Cactus Switch.

Two national gasoline retailers, Exxon and Mobil, are also beginning to accept direct debits from customers' bank accounts via the automated clearing houses. Such retailer-owned systems may become more numerous following revisions last year to the Federal Reserve Board's Regulation E, which make it easier for nonbanks to participate in electronic funds transfer networks. ■

Chase Leads the Pack in Automated Clearing House Business

→ Continued from Page 19

Deluxe Check Printers Inc., a bank stationery company based in St. Paul. When bank customers order checks, Deluxe gets paid by debiting their accounts via the automated clearing house.

"We had some major customers that came on the ACH at the end of 1986, and they were up to full capacity for all of 1987," said Carol Daniels, assistant vice president of the Minnesota bank, the nation's 81st largest when ranked by deposits.

On-Us Items Would Boost Rating

Ms. Daniels said that if on-us items were included in Norwest's tally, along with the automated clearing house activity of affiliated Norwest banks in other states, its volume would have been close to 28 million. That would give it a much more solid second place behind Chase.

The same argument could be made by other regional and superregional bank holding companies.

On-us activity combined with Seattle-First National Bank's volume would have given its parent, BankAmerica Corp., a similar boost. Excluding the 20% of transactions that don't leave the bank, Bank of America ranked third overall but first in credit entries, which include payrolls and other direct deposits.

For purposes of the *American Banker* survey, holding company affiliates were kept separate and on-us items excluded whenever possible.

The top 100 listing therefore reflects the success of individual banks selling automated clearing house services to major corporate clients and their customers. But interstate holding companies such as First Union Corp. in the Southeast and Banc One Corp. in the Midwest project the image of single organizations. While Banc One's lead subsidiary, Bank One Columbus, rose two places to eighth in 1987, even that strong showing may not tell Banc One's complete marketing story.

There were other shifts among the top 10. Northern Trust Co., Chicago, increased 36% to 11.9 million items and jumped to fifth place from sixth. It traded ranks with Marine Bank of Springfield, Ill., the nation's 477th largest bank and the biggest overachiever in the automated clearing house business.

The $531 million-deposit Marine Bank ranked fifth in both 1986 and 1985 on the strength of its processing debit payments for insurance companies.

Citibank Makes Gains

Marine Bank's automated clearing house leadership has contrasted with poor showings by Citibank, the nation's largest bank. But Citibank is shedding that image. The New York institution increased its clearing house volume 60% in 1987 and rose to 25th place from 36th. Of its 4 million transactions, 3.3 million were credit entries, making Citibank the eighth largest originator of automated clearing house credits.

First National Bank of Boston was another gainer among the top 10, rising one place to seventh with a 36% volume increase to 8.5 million. Three-fourths of those entries were credits and most of the growth came from marketing to corporations, a bank spokesman said.

Ninth and 10th positions were occupied by Wachovia Bank and Trust Co. and the First National Bank of Atlanta, which are both part of the First Wachovia holding company. Together their volume exceeded that of Mellon Bank, which was fourth on the list.

The biggest percentage gainer, at 189%, was AmSouth Bank, Birmingham, Ala., the nation's 63rd largest commercial bank but now the 18th largest in automated clearing house transactions. Its total rose to 4.6 million from 1.6 million in 1986, then good enough for only 59th place.

Almost all of AmSouth's transactions are on the debit side. "We signed some new clients, but most of our gains came from existing clients in the insurance industry," said Jeff Taylor, the bank's automated clearing house product manager. "For those companies we converted preauthorized paper drafts to ACH debits." In pursuing those accounts, AmSouth competed several times against Marine Bank of Springfield.

"Our goal is to become one of the top ACH processors in the country, if that's possible for an Alabama bank," Mr. Taylor said. "Most of our business so far has been in-state, and we may have to go outside for more growth."

AmSouth's spectacular rise is reminiscent of the 145% growth between 1985 and 1986 of M&I Marshall & Ilsley Bank, Milwaukee. In 1986, it jumped to 15th place from 39th, mainly as the result of a big debit contract with Northwestern Mutual Life Insurance Co.

M&I, the 181st largest in deposits, climbed another rung in 1987, to 14th, as its automated clearing house volume grew 21% to 5 million.

The 1987 merger of two financially troubled Texas companies, RepublicBank Corp. and InterFirst Corp., brought together several affiliates with a combined volume approaching 10 million. Treated as one bank, First RepublicBank Corp. would have been seventh in terms of automated clearing house volume.

Instead, it had three entries among the top 100 and its lead bank, First RepublicBank Dallas, was listed twice because the RepublicBank and InterFirst automated clearing house systems had not yet merged. The former RepublicBank operation registered a 41% gain in its annual volume and ranked 39th. ■

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Top 100 Originators of ACH Payments in 1987

Rank 1987	Rank 1986*		Debits Transactions	Credits Transactions	Total Transactions	Annual Growth
1	1	Chase Manhattan Bank NA, New York	58,438,247	9,771,837	68,210,084	23%
2	4	Norwest Bank Minneapolis NA	14,016,164	3,504,041	17,520,205	82
3	2	Bank of America NT&SA, San Francisco	5,911,453	11,351,269	17,262,722	25
4	3	Mellon Bank NA, Pittsburgh	5,380,098	7,295,007	12,675,105	16
5	6	Northern Trust Co., Chicago	2,976,187	8,928,523	11,904,710	36
6	5	Marine Bank of Springfield, Ill.	9,931,187	532,202	10,463,389	14
7	8	First National Bank of Boston	2,106,645	6,409,596	8,516,241	36
8	10	Bank One Columbus NA, Ohio	5,505,846	1,797,548	7,303,394	29
9	7	Wachovia Bank and Trust Co. NA, Winston-Salem, N.C.	4,996,637	1,875,617	6,872,254	(7)
10	26	First National Bank of Atlanta	1,572,788	4,904,571	6,477,359	110
11	11	Trust Company Bank, Atlanta	4,193,319	1,627,268	5,820,587	21
12	20	Chemical Bank, New York	2,328,939	3,284,350	5,613,289	47
13	18	Connecticut National Bank, Hartford	2,438,301	3,145,973	5,584,274	37
14	15	M&I Marshall & Ilsley Bank, Milwaukee	NA	NA	5,042,309	21
15	24	Security Pacific National Bank, Los Angeles	2,624,417	2,409,734	5,034,151	60
16	21	First Bank Minneapolis	NA	NA	4,881,041	30
17	12	United Bank of Denver NA	3,798,980	820,893	4,619,873	(4)
18	59	AmSouth Bank NA, Birmingham, Ala.	4,363,302	214,408	4,577,710	189
19	17	National Bank of Detroit	1,993,655	2,574,809	4,568,464	11
20	9	Wells Fargo Bank NA, San Francisco	1,384,202	3,139,614	4,523,816	(27)
21	19	Manufacturers Hanover Trust Co., New York	1,396,049	3,082,246	4,478,298	13
22	25	CoreStates Financial Corp., Philadelphia	NA	NA	4,466,556	43
23	23	Shawmut Bank NA, Boston	NA	NA	4,104,208	24
24	16	Morgan Guaranty Trust Co., New York	2,698,481	1,303,024	4,001,505	(4)
25	36	Citibank NA, New York	679,662	3,298,800	3,978,462	60
26	45	Harris Trust & Savings Bank, Chicago	1,535,906	2,361,695	3,897,601	89
27	51	Citizens & Southern National Bank, Atlanta	1,593,579	2,291,495	3,885,074	103
28	29	First National Bank of Maryland, Baltimore	1,463,000	2,396,000	3,859,000	40
29	22	National City Bank, Cleveland	2,574,597	1,248,526	3,823,123	15
30	14	Connecticut Bank & Trust Co. NA, Hartford	NA	NA	3,698,122	(17)
31	53	Boatmen's First National Bank, Kansas City, Mo.	NA	NA	3,590,673	98
32	37	First National Bank of Chicago	2,153,517	1,331,583	3,485,100	41
33	41	First Union National Bank, Charlotte, N.C.	1,766,570	1,742,453	3,509,023	63
34	27	First Interstate Bank of Oklahoma City	NA	NA	3,481,339	18
35	35	AmeriTrust Co. NA, Cleveland	1,989,356	1,471,253	3,460,609	39
36	28	Centerre Bank NA, St. Louis	NA	NA	3,450,562	21
37	33	First City National Bank, Houston	NA	NA	3,439,860	38
38	40	Commerce Bank of Kansas City NA	NA	NA	3,318,959	53
39	38	First RepublicBank Dallas NA (was RepublicBank)	NA	NA	3,227,532	41
40	13	Norwest Bank Nebraska NA, Omaha	NA	NA	3,218,746	(29)
41	30	First Interstate Bank of Arizona NA, Phoenix	NA	NA	2,970,570	13
42	46	First Bank St. Paul, Minn.	NA	NA	2,852,780	39
43	31	First RepublicBank Dallas NA (was InterFirst)	NA	NA	2,799,265	8
44	34	NCNB National Bank of North Carolina, Charlotte	1,416,611	1,355,073	2,771,684	11
45	43	First Interstate Bank of California, Los Angeles	1,589,151	1,073,003	2,662,154	27
46	48	Valley National Bank, Phoenix	NA	NA	2,651,649	34
47	50	Continental Illinois National Bank & Trust Co. of Chicago	1,333,413	1,156,078	2,489,491	28
48	44	Texas Commerce Bank NA, Houston	NA	NA	2,487,504	20
49	39	Bank of New England NA, Boston	NA	NA	2,435,243	10
50	56	MBank Dallas NA	NA	NA	2,258,080	35
51	42	Society National Bank, Cleveland	1,031,377	1,190,005	2,221,382	5
52	52	Marine Midland Bank NA, Buffalo, N.Y.	185,911	2,010,208	2,196,119	16
53	47	Bank One Dayton NA, Ohio	414,108	1,764,360	2,178,469	9
54	58	Bankers Trust Co., New York	1,005,595	1,113,625	2,119,220	32
55	49	Chase Lincoln First Bank NA, Rochester, N.Y.	178,302	1,866,140	2,044,442	4
56	68	Fifth Third Bank, Cincinnati	398,608	1,617,566	2,016,174	59
57	61	United Jersey Bank, Hackensack	994,821	1,020,321	2,015,142	40
58	57	Seattle-First National Bank	1,147,949	814,462	1,962,411	18
59	89	Citizens Fidelity Bank & Trust Co., Louisville	769,603	1,187,162	1,956,765	130
60	55	Sovran Bank NA, Richmond, Va.	698,921	1,242,386	1,941,307	16
61	100	First National Bank of Omaha, Neb.	NA	NA	1,894,588	154
62	80	Pittsburgh National Bank	347,876	1,492,078	1,839,954	82
63	66	Bank of Hawaii, Honolulu	633,005	1,103,218	1,736,223	36
64	67	BancOhio National Bank, Columbus	399,422	1,332,097	1,731,519	36
65	78	First Security Bank of Utah NA, Ogden	1,042,269	669,591	1,711,860	53
66	76	Mercantile Bank NA, St. Louis	NA	NA	1,682,430	49
67	64	Southeast Bank NA, Miami	1,118,194	489,877	1,676,071	26
68	-	Bank South NA, Atlanta	NA	NA	1,653,000	-
69	62	Rainier National Bank, Seattle	379,482	1,269,828	1,649,310	17
70	54	United States National Bank of Oregon, Portland	1,220,055	382,659	1,602,714	(8)
71	32	Norwest Bank Des Moines NA, Iowa	481,614	1,103,124	1,584,738	(38)
72	65	Indiana National Bank, Indianapolis	805,220	763,060	1,568,280	20
73	63	United Missouri Bank of Kansas City NA	NA	NA	1,564,518	13
74	72	First Interstate Bank of Denver NA	640,192	894,007	1,534,199	26
75	69	Maryland National Bank, Baltimore	591,000	924,000	1,515,000	20
76	70	First National Bank of Louisville	866,045	600,473	1,466,518	17
77	98	Liberty National Bank & Trust Co., Louisville	978,302	469,797	1,448,099	93
78	73	Commonwealth National Bank, Harrisburg, Pa.	NA	NA	1,341,991	11
79	77	First Pennsylvania Bank NA, Philadelphia	NA	NA	1,327,592	18
80	71	First RepublicBank Austin NA	NA	NA	1,310,065	7
81	75	Citizens & Southern National Bank, Charleston, S.C.	NA	NA	1,302,549	14
82	74	Huntington National Bank, Columbus, Ohio	555,596	743,343	1,298,939	13
83	81	American Security Bank NA, Washington	847,000	405,000	1,252,000	24
84	60	First Wisconsin National Bank, Milwaukee	NA	NA	1,236,499	(20)
85	83	Merchants National Bank, Topeka, Kan.	NA	NA	1,226,662	30
86	103	First Interstate Bank of Oregon NA, Portland	NA	NA	1,209,948	76
87	85	First National Bank of Cincinnati	652,499	555,372	1,207,871	35
88	-	State Street Bank & Trust Co., Boston	NA	NA	1,181,469	-
89	95	Crestar Bank, Richmond, Va.	396,273	717,884	1,114,157	38
90	-	NCNB National Bank of Florida, Tampa	260,723	848,409	1,109,132	124
91	86	First Interstate Bank of Washington NA, Seattle	726,489	381,470	1,107,959	24
92	84	United Bank of Arizona, Phoenix	NA	NA	1,088,918	18
93	92	Sun Bank NA, Orlando, Fla.	165,474	919,884	1,085,358	32
94	106	Western Bank, Sioux Falls, S.D.	NA	NA	1,043,748	63
95	91	First Union National Bank of Florida, Jacksonville	650,191	329,862	980,053	19
96	-	Boston Safe Deposit & Trust Co.	NA	NA	978,785	-
97	87	Union Planters National Bank, Memphis, Tenn.	584,969	365,103	950,072	9
98	90	First Fidelity Bank NA, Newark, N.J.	219,946	713,159	933,105	10
99	93	Union National Bank, Little Rock, Ark.	NA	NA	931,925	14
100	96	Irving Trust Co., New York	143,737	784,658	928,395	19

Most transaction data were supplied to *American Banker* by regional automated clearing houses on behalf of member financial institutions. In some instances, data were confirmed by or obtained directly from Federal Reserve Banks or from the originating banks. Totals for some banks are annualized based on partial-year results.
NA-Where debit and credit breakdowns are not given, information sources had not tabulated them in time for publication.
*Some banks' rankings for 1986 may be slightly different from those published in the American Banker listing of March 17, 1987. They were retabulated based on revisions and corrections received after the publication date. Banks without a number in this column were not included in the 1986 survey.

2 South Carolina Thrifts Agree on Merger Terms

COLUMBIA, S.C. — South Carolina Federal Corp. and First Federal Savings Bank, Rock Hill, S.C., have announced an agreement in principle to merge the two institutions.

Under terms of the agreement, First Federal's assets will be acquired and its liabilities assumed by South Carolina Federal Savings Bank, the wholly owned subsidiary of South Carolina Federal Corp.

The merger is subject to approval by the board of directors of both institutions as well as by regulatory authorities.

First Federal Savings Bank of Rock Hill has total assets of approximately $186 million. The merger will boost South Carolina Federal's total assets to more than $900 million, with 30 full-service branch locations and six mortgage loan offices in South Carolina. ■

Georgia Thrift to Sell Branch

ATLANTA — First Federal Savings and Loan Association, Bainbridge, Ga., will acquire Fulton Federal Savings and Loan Association's branch in Cairo, Ga.

The Cairo office had deposits of approximately $16.5 million as of Dec. 31.

Fulton Federal, Georgia's largest publicly owned thrift institution with assets of approximately $2.4 billion, operates 42 branches throughout the state. ■

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